

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 SP-02 ICA-20 AID-05 NSC-05
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CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
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-----125730 191500Z /53

P R 191200Z JUN 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC PRIORITY
AMEMBASSY ANTANANARIVO
INFO SECSTATE WASHDC PRIORITY 9253

UNCLAS SECTION 1 OF 2 ABIDJAN 5813

DEPT PASS NAC AGENCIES

E.O. 11652: N/A
TAGS: AFDF, EAID, EFIN
SUBJ: AFRICAN DEVELOPMENT FUND LOAN FOR COMORO
NIOUMAKELE-ANJOUAN ISLAND ROAD

SUMMARY: AFRICAN DEVELOPMENT FUND MANAGEMENT
PROPOSES 4.05 MILLION FUND UNIT OF ACCOUNT (FUA
EQUAL TO US \$1.11) LOAN TO THE GOVERNMENT OF THE
REPUBLIC OF COMORO TO FINANCE 21.4 KM ROAD LINKING
ONGOUJOU TO M'RAMANI IN THE NIOUMAKELE AREA OF
ANJOUAN ISLAND. PROJECT FALLS WITHIN SCOPE OF IDA
FINANCED FIRST HIGHWAY PROJECT. TOTAL COST OF
AFDF/IDA PROJECT EQUAL TO FUA 8.2 MILLION.
END SUMMARY.

1. AFDF DOCUMENT BD/78/52 AND ATTACHEMENTS
DESCRIBING LOAN POUCHED TO NAC AGENCIES JUNE 12,
1978. BOARD CONSIDERATION SCHEDULED FOR JUNE 29, 1978.

2. AFDF MANAGEMENT PROPOSES FUA 4.05 MILLION
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LOAN TO GOC TO FINANCE 99.8 PERCENT OF COST
OF A) CONSTRUCTION OF 21.4 KM OF THE NIOUMAKELA
ROAD FROM ONGOUJOU TO M'RAMANI INCLUDING SPURS
TO NIABAMORO AND DZIANI AND B) COST OF SUPERVISION
OF CONSTRUCTION. THE PROJECT IS PART OF THE
GOVERNMENT'S FIRST FIVE YEAR DEVELOPMENT PLAN,
1978-82, AND HAS BEEN IDENTIFIED AS PART OF THE

IBRD'S (IDA) FIRST HIGHWAY PROJECT IN THE COMOROS. IBRD HAS MADE THE IDENTIFICATION OF SOURCE OF FINANCING OF THE PROJECT ORAD ONE OF THE CONDITIONS FOR OBTAINING IDA CREDIT TO COVER THE REST OF THE PROJECT. TOTAL COSTS OF AFDF ROAD PROJECT TO EQUAL FUA 4.053 MILLION OF WHICH GOC IS ABLE TO FINANCE MINOR PORTION EQUAL TO FUA 3 THOUSAND. AFDF LOAN TO COVER FUA 3.4 MILLION IN FOREX AND FUA 644 THOUSAND IN LOCAL COSTS. AFDF COST ESTIMATES INCLUDE 15 PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES AND 16 PERCENT ALLOWANCE FOR PRICE ESCALATION. ANY COST OVERRUNS TO BE MET BY GOC. IDA LOAN TO FIRST HIGHWAY PROJECT TO COVER FUA 3.3 MILLION IN FOREX AND FUA 767 THOUSAND IN LOCAL COSTS. IDA PROJECT ENTAILS ROAD STUDIES, TECHNICAL ASSISTANCE AND TRAINING, AND DEVELOPMENT OF ROAD MAINTENANCE CAPABILITY. GOC TO PROVIDE FUA 79 THOUSAND FOR FINANCING PORTION OF LOCAL COSTS OF IDA PROJECT. PROCUREMENT OF GOODS AND SERVICES UNDER AFDF LOAN TO BE IN ACCORDANCE WITH STANDARD INTERNATIONAL BID PROCEDURES. PROPOSED TERMS OF AFDF LOAN: 50 YEARS AMORTIZATION INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE CHARGE. GOC TO BE BORROWER, NATIONAL CENTER FOR PLANNING, FINANCE AND METHODS TO BE EXECUTING AGENCY.

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3. THE AFDF APPRAISAL REPORT INDICATES THAT THE GOC IS NOT ABLE TO FINANCE ANY SIGNIFICANT PORTION OF THE ROAD COST DUE TO CRITICAL INTERNAL BUDGETARY POSITION. GOVERNMENT ABILITY TO PARTICIPATE IN ANY DEVELOPMENT PROJECTS IS EXTREMELY RESTRICTED. PER CAPITA GNP IS APPROXIMATELY US \$150. THE APPRAISAL REPORT INDICATES THAT THE COUNTRY'S GDP REACHED A PEAK OF US \$71 MILLION IN 1974, HAVING GROWN SIX TO SEVEN PERCENT P.A. IN REAL TERMS OVER THE PREVIOUS FIVE YEARS, BUT DROPPED BY 13 PERCENT IN 1975 AND NINE PERCENT IN 1976. TOTAL PUBLIC

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CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
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INFO SECSTATE WASHDC PRIORITY 9254

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DEPT PASS NAC AGENCIES

EXPENDITURES FELL FROM U \$40 MILLION IN 1975
TO ABOUT US \$21 MILLION IN 1976. IN 1977
FINANCIAL ASSISTANCE AND RESERVES WERE ALMOST
EXHAUSTED AND THE GOVERNMENT NOW CONTINUES TO
BE FORCED TO REDUCE ALL BUT THE MOST ESSENTIAL
EXPENDITURES.

4. THE PROPOSED ROAD WOULD SUPPLANT AN EXISTING
UNIMPROVED EARTH TRACK WITH PRIMITIVE DRAINAGE
FACILITIES AND SIMPLE WOODEN BRIDGES. THE
PROPOSED ROAD RUNNING FROM ONGOUJOU TO M'RAMANI
WILL BE 16.4 KM LONG CONSISTING OF SIX METER
BASE AND A FIVE METER BITUMINOUS SURFACE. THERE
WILL ALSO BE TWO FIVE KM ACCESS ROADS (2.6 KM
FROM ANTSAHE TO DZIANI AND 2.4 KM FROM ANTSAHE
TO NIAMBAMORO) WITH A 4.5 METER BASE AND 3.5
METER BITUMINOUS SURFACE. THE NEW ALIGNEMENT WILL
FOLLOW CLOSELY THAT OF THE EXISTING TRACK.
TRAFFIC ON THE ROUTE IS CURRENTLY 30 VEHICLES
PER DAY IN THE DRY SEASON.

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5. THE PROPOSED NIOUMAKELE PROJECT ROAD WILL BENEFIT ONE
OF THE MOST DENSELY POPULATED AND UNDEVELOPED AREAS.
IBRD IS IN THE EARLY STAGES OF DESIGNING AN
INTEGRATED RURAL DEVELOPMENT PROJECT FOR THE AREA
WHICH IS EXPECTED TO INCREASE AGRICULTURAL
PRODUCTION AS MUCH AS FIVEFOLD. THE PROJECT
ROAD HAS AN INFLUENCE AREA OF ABOUT 3,500 HA,

OF WHICH 2,700 HA HAS AGRICULTURAL POTENTIAL. POPULATION OF THE AREA IN 1977 WAS ESTIMATED AT 24,000 WITH PROJECTED GROWTH RATE OF 3.5 PERCENT PER YEAR. IT IS ESTIMATED, HOWEVER, THAT THE AREAS POPULATION MAY NOW BE AS HIGH AS 30 THOUSAND SINCE MANY OF THE 18 THOUSAND PEOPLE RECENTLY REPATRIATED FROM MADAGASCAR WERE ORIGINALLY FROM NIOUMAKELE AND HAVE RETURNED TO THE REGION. POPULATION DENSITY IS AMONG THE HIGHEST IN THE COUNTRY BEING ABOUT 10 PERSONS PER HA ON AGRICULTURAL LAND. TRADITIONAL AGRICULTURAL TECHNIQUES PROVIDE MOSTLY LOW-YIELD NEAR SUBSISTENCE PRODUCTION LEVELS, WITH MALNUTRITION BEING PRESENT. THE AREA HAS GOOD POTENTIAL FOR AGRICULTURAL DEVELOPMENT. A FRENCH RESEARCH INSTITUTE MAINTAINS THAT AVERAGE YIELDS COULD BE DOUBLED BY SIMPLY INTRODUCING IMPROVED AGRICULTURAL METHODS AND INCREASE PERHAPS FIVEFOLD THROUGH INTENSIVE CROP CULTIVATION METHODS. IN ADDITION TO THE ONGOING IBRD'S PREINVESTMENT STUDIES FOR INTEGRATED RURAL DEVELOPMENT, THE EUROPEAN DEVELOPMENT FUND HAS BEGUN A PILOT PROJECT TO CONTROL EROSION IN THE AREA THROUGH INTRODUCTION OF TERRACING TECHNIQUES, TREE PLANTING AND CONSTRUCTION OF DRAINAGE

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DITCHES, WATER TANKS AND SOME FEEDER ROADS.

6. BENEFITS OF THE PROPOSED PROJECT ROAD HAVE BEEN CALCULATED WITHIN THE FRAMEWORK OF A COMBINED ROAD CONSTRUCTION/RURAL DEVELOPMENT PROJECT. DEPENDING UPON THE TIMING OF AGRICULTURAL IMPROVEMENTS UNDER THE PROPOSED IBRD PROJECT (NOW SCHEDULED FOR 1980), AND THE TYPE OF AGRICULTURAL IMPROVEMENTS AND TYPE OF METHODS ADOPTED, THE ECONOMIC RATE OF RETURN RANGES BETWEEN EIGHT PERCENT AND A PROBABLE 12 PERCENT. BENEFITS WILL ACCRUE MAINLY TO AGRICULTURAL PRODUCERS IN THE AREA. TRAFFIC ON THE ROAD IS EXPECTED TO RISE FROM ITS CURRENT RATE OF 30 VPD TO 100 VPD. SENSITIVITY ANALYSIS INDICATED THAT 20 PERCENT REDUCTION IN ANTICIPATED BENEFITS INCLUDING LOWER THAN EXPECTED TRAFFIC GROWTH AND/OR UNIT VEHICLE OVERTAKING SAVINGS AND POSTPONEMENT OF PROPOSED INTEGRATED DEVELOPMENT PROJECT, DROPS RATE OF RETURN TO SEVEN PERCENT.

STEARNS

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